



Infocus Wealth Management Limited

ABN 28 103 551 015

**Interim consolidated financial statements for the half-year
ended 31 December 2020**

Infocus Wealth Management Limited
Directors' report
For the half-year ended 31 December 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Infocus Wealth Management Limited (referred to hereafter as the 'company') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

Directors

The names of the directors of the company during or since the end of the half-year are:

Roy McKelvie (Chairman)
Darren Steinhardt (Managing Director)
Craig Holland (appointed 20 November 2020)
David Hasib
Jonathan Hubbard
Karen Smith-Pomeroy (resigned 31 October 2020)

Review of operations and results

The profit for the Group for the half-year after providing for income tax amounted to \$720k (31 December 2019: \$183k loss). Advice and services revenue increased by 10% over the prior period, with growth from the recruitment of new advisers over the past twelve months more than compensating for the impact of COVID-19 on service revenue. Payments to self-employed advisers increased by 18%, which is also reflective of the increase in adviser numbers.

The Group has made provisions for client remediation of \$350k following an internal review to ensure that advice was being delivered in line with regulatory guidance, and where this was not the case a suitable amount of compensation becomes payable to the clients. This will be a non-recurring expense. Refer to Notes 1(d)(iii) and 12 for further details.

Corporate expenses were 16% lower than the corresponding prior period with savings in labour costs of \$468k and a decrease in other operating expenses of \$686k including a substantial reduction in travel, marketing, and conference costs as a result of state border closures.

The business generated strong operating cash flows of \$3,309k (31 December 2019: \$2,000k). On the statement of financial position, net assets have increased by \$686k (5%) over the half-year, with reduction in borrowings of \$2,415k (18%).

The Group has restated its half-year December 2019 results to include a \$635k provision for remediation payments to clients and former clients of a self-employed adviser whose authorisation with the Group was terminated in October 2019. This has been disclosed as a prior period error in accordance with AASB 108 - refer to Note 2 for further details.

Rounding of amounts

The company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and therefore the amounts contained in this report and in the half-year financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

Likely developments

The company intends to issue an Information Memorandum seeking to raise approximately \$5,000k in convertible notes.

Events after the reporting period

No matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page of this half-year financial report and forms part of this Directors' Report.

Infocus Wealth Management Limited
Directors' report
For the half-year ended 31 December 2020

This report is made in accordance with a resolution of the Directors:



Roy McKelvie
Chairman

Maroochydore
12 April 2021



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Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY C R JENKINS TO THE DIRECTORS OF INFOCUS WEALTH MANAGEMENT LIMITED

As lead auditor for the review of Infocus Wealth Management Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Infocus Wealth Management Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'C R Jenkins', written over a horizontal line.

C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 12 April 2021

Infocus Wealth Management Limited
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For the half-year ended 31 December 2020

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General information

Infocus Wealth Management Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Level 2 Cnr Maroochydore Rd & Evans St
Maroochydore QLD 4558

Principal place of business

Level 2 Cnr Maroochydore Rd & Evans St
Maroochydore QLD 4558

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

Infocus Wealth Management Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

	Note	31 Dec 2020 \$'000	31 Dec 2019 Restated* \$'000
Advice and services revenue		36,353	32,856
Rental and dividend income		96	103
Interest income		69	28
Advice and services fees and commissions paid		(28,102)	(23,954)
Employee benefits		(4,377)	(4,845)
Professional fees		(816)	(809)
Occupancy costs		(118)	(229)
Marketing, advertising and conference costs		(10)	(329)
Technology costs		(248)	(243)
Client remediation costs	1(d)(iii), 2 & 12	(350)	(635)
Other expenses		(579)	(847)
Operating profit		<u>1,918</u>	<u>1,096</u>
Depreciation and amortisation expenses		(874)	(911)
Finance costs		(415)	(451)
Gain on sale of client portfolios	3	250	-
Profit/(loss) before income tax expense		<u>879</u>	<u>(266)</u>
Income tax (expense)/benefit		(159)	83
Profit/(loss) for the half-year		<u>720</u>	<u>(183)</u>
Total comprehensive income/(loss) for the half-year		<u>720</u>	<u>(183)</u>
Profit/(loss) for the half-year is attributable to:			
Non-controlling interest		42	38
Owners of Infocus Wealth Management Limited		678	(221)
		<u>720</u>	<u>(183)</u>
Total comprehensive income/(loss) for the half-year is attributable to:			
Non-controlling interest		42	38
Owners of Infocus Wealth Management Limited		678	(221)
		<u>720</u>	<u>(183)</u>

* The comparative information has been restated as a result of the prior period error relating to provisions for client remediation as discussed in note 2.

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Infocus Wealth Management Limited
Consolidated statement of financial position
As at 31 December 2020

	Note	31 Dec 2020 \$'000	30 Jun 2020 Restated* \$'000
Assets			
Current assets			
Cash and cash equivalents		902	939
Trade and other receivables		7,152	8,198
Assets held for sale	3	-	1,380
Current tax assets		-	4
Total current assets		<u>8,054</u>	<u>10,521</u>
Non-current assets			
Other receivables	3	2,613	1,231
Property, plant and equipment		368	438
Intangibles		21,316	21,292
Right-of-use assets		2,802	3,279
Deferred tax		1,020	990
Total non-current assets		<u>28,119</u>	<u>27,230</u>
Total assets		<u>36,173</u>	<u>37,751</u>
Liabilities			
Current liabilities			
Trade and other payables		5,764	5,391
Current tax liabilities		216	-
Borrowings	11	5,081	6,787
Provisions	12	1,255	1,028
Employee benefits		578	785
Lease liabilities		991	1,058
Total current liabilities		<u>13,885</u>	<u>15,049</u>
Non-current liabilities			
Borrowings	11	5,603	6,312
Employee benefits		71	33
Lease liabilities		1,903	2,292
Deferred tax		130	170
Total non-current liabilities		<u>7,707</u>	<u>8,807</u>
Total liabilities		<u>21,592</u>	<u>23,856</u>
Net assets		<u>14,581</u>	<u>13,895</u>
Equity			
Share capital	13	14,195	14,189
Reserves		(513)	(513)
Retained profits		881	203
Equity attributable to the owners of the parent		<u>14,563</u>	<u>13,879</u>
Non-controlling interest		18	16
Total equity		<u>14,581</u>	<u>13,895</u>

* The comparative information has been restated as a result of the prior period error relating to provisions for client remediation as discussed in note 2.

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Infocus Wealth Management Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2020

	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total controlling interest \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2019	14,189	(489)	223	13,923	9	13,932
Total comprehensive income/(loss) for the half-year*	-	-	(221)	(221)	38	(183)
Transactions with owners in their capacity as owners:						
Purchase of remaining shares in subsidiary (note 3)	-	(24)	-	(24)	(6)	(30)
Dividends paid (note 10)	-	-	-	-	(37)	(37)
Balance at 31 December 2019	<u>14,189</u>	<u>(513)</u>	<u>2</u>	<u>13,678</u>	<u>4</u>	<u>13,682</u>

	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total controlling interest \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2020	14,189	(513)	648	14,324	16	14,340
Effect of prior period error (note 2)	-	-	(445)	(445)	-	(445)
Balance at 1 July 2020 – As restated	<u>14,189</u>	<u>(513)</u>	<u>203</u>	<u>13,879</u>	<u>16</u>	<u>13,895</u>
Total comprehensive income for the half-year	-	-	678	678	42	720
Transactions with owners in their capacity as owners:						
Issue of shares on vesting of employee performance rights (note 13)	6	-	-	6	-	6
Dividends paid (note 10)	-	-	-	-	(40)	(40)
Balance at 31 December 2020	<u>14,195</u>	<u>(513)</u>	<u>881</u>	<u>14,563</u>	<u>18</u>	<u>14,581</u>

*The comparative information has been restated as a result of the prior period error relating to provisions for client remediation as discussed in note 2.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Infocus Wealth Management Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2020

	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Cash flows from operating activities			
Receipts from customers		37,005	33,012
Payments to suppliers and employees		(33,338)	(30,535)
Interest received		56	28
Interest and other finance costs paid		(375)	(451)
Dividends received		29	20
Income taxes paid		(68)	(74)
		<hr/>	<hr/>
Net cash provided by operating activities		3,309	2,000
Cash flows from investing activities			
Payments for purchase of subsidiary	4	-	(30)
Payments for property, plant and equipment		(15)	(130)
Payments for intangibles		(341)	(400)
		<hr/>	<hr/>
Net cash (used in) investing activities		(356)	(560)
Cash flows from financing activities			
Proceeds from borrowings		-	558
Repayment of borrowings		(1,385)	(1,508)
Payments of lease liabilities		(535)	(491)
Dividends paid	10	(40)	(37)
		<hr/>	<hr/>
Net cash (used in) financing activities		(1,960)	(1,478)
Net increase (decrease) in cash and cash equivalents		993	(38)
Cash and cash equivalents at the beginning of the half-year		(770)	(938)
		<hr/>	<hr/>
Cash and cash equivalents at the end of the half-year	6	223	(976)

The above statement of cash flows should be read in conjunction with the accompanying notes.

Infocus Wealth Management Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2020

Note 1. Significant accounting policies

(a) Statement of compliance

The half-year financial report is a general-purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

(b) Basis of preparation

The consolidated half-year financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise stated.

The company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and therefore the amounts contained in the half-year financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2020 annual consolidated financial report for the year ended 30 June 2020, except for the impact of any new and revised Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The consolidated half-year financial statements have been approved and authorised for issue by the Board of Directors on 12 April 2021.

(c) New or amended accounting standards and interpretations

The Group has adopted all of the new and amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the 'AASB') that are mandatory for the current reporting period and these standards do not have any impact on the Group's accounting policies.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(d) Use of judgement, estimates and assumptions

When preparing consolidated interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from these estimates.

The judgements, estimates and assumptions applied in the consolidated interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the company's annual consolidated financial report for the year ended 30 June 2020, except as described below:

(i) Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the services offered by the Group to its clients, staffing and geographic locations in which the Group operates. Other than as addressed in specific notes, there does not appear to be any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

(ii) Formation of a tax consolidated group

The Group intends to become a tax consolidated group from 1 July 2020, the beginning of the current financial period. As such, these consolidated interim financial statements are prepared on the basis of the Group being a tax consolidated group. Management applied significant judgement in this determination, as the impact of not being a tax consolidated group would be a material change to the tax expense and respective balances of the Group.

Infocus Wealth Management Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2020

Note 1. Significant accounting policies (continued)

(iii) Client Remediation provisions

The Group has made provision at balance date for the cost of remedial compensation payable to financial advice clients who may not have received all of the services they should have under ongoing client service agreements, and in the case of one former self-employed adviser, may have been inappropriately overcharged for up-front advice. Refer to Note 12 for further details.

Judgement has been exercised in identifying the clients for whom compensation is payable, in particular with respect to estimating the likely value of services that were provided. The Group will complete a detailed review of each client's records before remediation payments are made.

Where client compensation is probable and able to be reliably estimated, provisions have been taken based on a number of direct assumptions, including number of impacted clients, average refund per client and associated remediation costs. The underlying assumptions would be reviewed on a regular basis against actual experience and other relevant evidence and adjustments would be made to the provisions where appropriate.

(e) Going concern

The half-year financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group has a profit after tax for the half-year ended 31 December 2020 of \$720k (2019: \$183k loss) and generated net operating cash flows of \$3,309k for the half year (2019: \$2,000k). The Convertible Notes of \$3,015k are due for redemption or conversion within six months from reporting date and consequently, the Group has an excess of current liabilities over current assets at reporting date of \$5,831k (June 2020: \$4,528k).

The ability of the Company to continue as a going concern including meeting operating cash requirements and paying debts as and when they fall due is dependent on:

- achieving profitability and generating sufficient operating cash inflows;
- continued financial support from its financiers;
- issuing new convertible notes to raise up to \$5,000k; and
- securing any additional capital investment where required.

These conditions give rise to a material uncertainty over the Group's ability to continue as a going concern.

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- the Group is generating profits and positive cash flows from operations;
- the Group continues to enjoy the support of its financiers;
- the Directors expect the Group will be successful in raising a sufficient amount by way of a replacement convertible notes issue;
- the Group is successfully achieving its growth strategies to increase profitability and increase cash inflows in future years in alignments with its forecasts; and
- the Group's cashflow projections show that it will continue to pay its debts as and when they fall due, including all interest and capital repayments to the Group financiers, over its projection period.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial report. This financial report does not include any adjustments relating to recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

The directors are of the opinion the company will continue normal business activities and be able to realise its assets and settle its liabilities in the ordinary course of business. The Group has taken appropriate action and steps to manage its cash flows and is in compliance with its bank covenants.

Infocus Wealth Management Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2020

Note 2. Prior period error

The prior period error relates to \$635k for remediation payments to clients and former clients of a self-employed adviser in respect of overcharging that occurred prior to the Group revoking the adviser's authorisation in October 2019. Management had made an incorrect judgement at that time as to how the Group's insurance policy was likely to respond with respect to these remediation payments. This is now believed to have been an incorrect assessment of the circumstances that existed at that time. Refer also to Note 12 Provisions.

The following table summarises the impact of the prior period error on the financial statements:

	Half year ended 31 Dec 2019 \$'000
Consolidated statement of profit or loss and other comprehensive income	
Increase in provisions for client remediation	635
(Decrease) in profit for the half-year before income tax	(635)
	Half year ended 31 Dec 2019 \$'000
Other comprehensive income for the half-year, net of income tax	
Increase in provisions for client remediation	635
(Decrease) in other comprehensive income for the half-year, net of income tax	(445)
Total (decrease) in comprehensive income for the half-year	<u>(445)</u>
	30 June 2020 \$'000
Consolidated statement of financial position	
Increase in provisions for client remediation	635
(Decrease) in net assets	<u>(445)</u>

Note 3. Assets held for sale and other receivables

The Group has now sold some of its client portfolios to staff advisers that were disclosed as held for sale at 30 June 2020. Consequently, a gain has been recognised in relation to this of \$250k for the half year ended 31 December 2020.

The Group has provided finance to these advisers of \$1,534k in relation to this transaction which is classified as current and non-current receivables on the balance sheet at 31 December 2020. Consequently, non-current receivables have increased when compared to the 30 June 2020 balance sheet.

Note 4. Acquisition of subsidiary

In the prior period, on 1 July 2019, the Group purchased the remaining 50% interest in Announcer Business Advisory Pty Ltd (name was changed to Infocus Tax & Business Advisory Pty Ltd) for \$30k.

Note 5. Fair value of financial assets and financial liabilities

Fair value reflects the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date.

Financial instruments measured at fair value are categorised under a three-level hierarchy as outlined below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Infocus Wealth Management Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2020

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group has assessed its financial instruments recorded at fair value and these are categorised under fair value hierarchy. The carrying amount and fair value of financial assets and financial liabilities are held at amortised cost. The methodology and assumptions used in determining fair values are as follows:

Cash and cash equivalents

The carrying amount of cash and cash equivalents is an approximation of fair value as they are short term in nature or are receivable on demand.

Trade and other receivables

Trade and other receivables are recognised at amortised cost net of any impairment losses.

Trade and other payables

Trade and other payables are an approximation of fair values as they are short term in nature.

Borrowings

The Group has borrowings which are not measured at fair value in the statement of financial position. The fair value of borrowings is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group. The Group is of the view that underlying assumptions and factors have not changed in this reporting period and the carrying amounts of borrowings is an approximation of fair values at reporting date

Fair value hierarchy

Borrowings

These are classified as Level 2 as the inputs into the fair value models (being current market rates) used to determine fair value are observable.

Note 6. Reconciliation to cash and cash equivalents per statement of cash flows

	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Cash and cash equivalents	902	966
Bank overdraft (included in borrowings)	(679)	(1,942)
Balance as per statement of cash flows	<u>223</u>	<u>(976)</u>

Note 7. Related party transactions

Key management personnel compensation

Remuneration arrangements of key management personnel are disclosed in the company's annual consolidated financial report for the year ended 30 June 2020.

Infocus Wealth Management Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2020

Transactions with related parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

The Group has paid employment costs to a director; Mr D. Steinhardt and his spouse Mrs S. Steinhardt and rented premises in Maroochydore from a company related to Mr and Mrs Steinhardt.

	Half-year ended 31 Dec 2020	Half-year ended 31 Dec 2019
	\$	\$
Employment costs – D Steinhardt	182,549	225,362
Employment costs – S Steinhardt	31,467	32,345
Payment for services – related entity for rental premises	248,349	248,229
Payment for services	<u>462,365</u>	<u>505,936</u>

Key management personnel had the following holdings of convertible notes at reporting date:

	31 Dec 2020	30 June 2020
	\$'000	\$'000
Convertible notes	<u>725,000</u>	<u>725,000</u>

The notes are convertible into ordinary shares of the Company, at the option of the holder, or repayable on 6 June 2021 with a coupon rate of 9% per annum paid semi-annually. The conversion rate is 2.38 shares for each note held and each conversion request from a noteholder must be for a minimum of \$10k worth of notes.

Terms and conditions

All related party transactions were made on normal commercial terms and conditions and at market rates.

J. Hubbard and D. Steinhardt are clients of a controlled entity within the Group, this relationship is on normal commercial terms and conditions.

Note 8. Contingent liabilities and contingent assets

The nature of the financial advice business is such that from time-to-time advice given by the Group or its Authorised Representatives results in claims by clients for compensation.

The Group has received claims and is defending these claims, and is unable to assign a value to these claims with any certainty and has not provided for them.

Except as per above, there were no material contingent liabilities or contingent assets at the date of this report.

Infocus Wealth Management Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2020

Note 9. Capital commitments

At 31 December 2020 the Group had committed to spend approximately \$2,400k with external parties over the next 18 months on the development of wealth and superannuation platform solutions that will be fully integrated to the Group's bespoke financial advice delivery and management system Platformplus.

Note 10. Dividends

	Half year ended 31 Dec 2020 \$'000	Half year ended 31 Dec 2019 \$'000
Dividends paid during the half-year		
<i>On ordinary shares to owners of Infocus Wealth Management Limited:</i>		
Dividends paid during the half-year to owners of Infocus Wealth Management Limited	-	-
<i>Dividends paid to non-controlling interests:</i>		
Dividends provided for or paid during the half-year to non-controlling interests	40	37
Total dividends paid	<u>40</u>	<u>37</u>

Note 11. Borrowings

The Group has continued repaying its borrowings in the half-year to 31 December 2020 which have decreased by \$2,415k as per the consolidated statement of financial position.

Note 12. Provisions

The Group has increased provisions relating to client remediation as disclosed per note 1(d)(iii) as follows.

	Consolidated	
	31 Dec 2020 \$'000	30 June 2020 \$'000
Current		
Client remediation	985	635*
Client legal claims	270	393
Total current provisions	<u>1,255</u>	<u>1,028</u>

ASIC, as part of its Wealth Management Project, has conducted investigations into financial advice fees paid pursuant to ongoing service arrangements and provided guidance on its expectations as to the form such on-going advice should take. The Group instigated its own comprehensive review ("Business Health Check") that required all licensed advice offices (covering both salaried and self-employed advisers) to ensure that advice was being delivered in line with regulatory guidance, and where this was not the case, a suitable amount of compensation becomes payable to the clients.

Remedial compensation costs payable to the clients of self-employed advisers will be met by those advisers. Remediation payable to clients of the Group's own salaried advisers have been recognised as an expense in the half year to 31 December 2020. The estimated amount to be paid out in remediation to these clients is \$350k.

*The Group also made provision for remediation costs (disclosed as prior period error for half-year ended 31 December 2019, refer to note 2 for further details) expected to be paid to clients of one of the Group's former self-employed advisers who was found to be overcharging clients. When the Group became aware of this practice it terminated the adviser's authority to issue advice and issued a breach notice to ASIC. The Group also assumed direct responsibility for the provision of on-going financial advice to all of the clients who wished to continue to be advised. An extensive investigation is currently underway to determine the extent of the overcharging prior to the self-employed adviser termination, having regard to the reasonable value of the services that were actually delivered. The estimated amount to be paid out in remediation to these clients is \$635k.

Infocus Wealth Management Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2020

Note 13. Share capital

During the half year ended 31 December 2020, 14,000 shares were issued to satisfy vesting of performance rights previously granted to selected staff members who completed a service period of three years with the Group.

Movements in shares on issue

	31 Dec 2020	
	Number of shares (thousands)	\$'000
Beginning of the half-year	43,213	14,189
Shares issued on vesting of employee performance rights	14	6
End of the half-year	<u>43,227</u>	<u>14,195</u>

Note 14. Events after the reporting period

No matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Infocus Wealth Management Limited
Directors' declaration
For the half-year ended 31 December 2020

In the opinion of the Directors of Infocus Wealth Management Limited:

- (a) The consolidated financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:
- (i) Giving a true and fair view of its financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
 - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting*, and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Roy McKelvie
Chairman

Maroochydore
12 April 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Infocus Wealth Management Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Infocus Wealth Management Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.



Material uncertainty relating to going concern

We draw attention to Note 1(e) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

C R Jenkins
Director

Brisbane, 12 April 2021